

Message Text

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PAGE 01 GENEVA 08063 01 OF 02 211753Z

ACTION STR-05

INFO OCT-01 STRE-00 IO-13 ISO-00 AF-10 ARA-10 EA-10
EUR-12 NEA-10 OIC-02 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEA-00
OMB-01 /142 W

-----060470 211800Z/41

P R 211637Z SEP 77

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 1285

INFO AMEMBASSY OTTAWA

LIMITED OFFICIAL USE SECTION 1 OF 2 GENEVA 8063

USMTN

ACTION STR

STR PASS CODEL

E.O. 11652: N/A

TAGS: MTN, ETRD, CA

SUBJECT: U.S.-CANADIAN BILATERAL ON TARIFF PLAN

1. AT CANADIAN INVITATION THE U.S. DEL (AMB. MCDONALD ET AL) MET ON SEPTEMBER 20 WITH THE CANADA DEL (AMB. GREY ET AL) TO HEAR GREY'S REACTION TO THE VIEWS EXPRESSED BY AMB. STRAUSS IN OTTAWA. AMB. GREY ALSO OUTLINED THE POINTS WHICH CANADA BELIEVES MUST BE DEALT WITH IN THE TARIFF PLAN, NAMELY: RECIPROCITY, TARIFFS IN RELATIONS TO RESOURCE-BASED TRADE, LOW DUTIES AND EXCEPTIONS.

2. GREY STATED THAT CANADA WAS WILLING TO ACCEPT THE VIEWPOINT OF AMB. STRAUSS THAT BOTH COUNTRIES HAD LARGELY

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PAGE 02 GENEVA 08063 01 OF 02 211753Z

SIMILAR OBJECTIVES IN THE FOREST PRODUCTS AND NONFERROUS SECTORS BUT THAT CANADA SHOULD DROP THE "FORM" OF ITS PROPOSALS. GREY ASSERTED THAT IF THE U.S. THINKS WE BOTH CAN ACHIEVE OUR OBJECTIVES BY OTHER MEANS, THE TWO DELEGATIONS SHOULD WORK OUT A JOINT STRATEGY TO ACHIEVE THEM. TO AVOID FUTURE MISUNDERSTANDINGS HE PROPOSED THAT THE CONCLUSIONS

FROM THESE DISCUSSIONS BE PUT DOWN IN WRITING.
SUCH AN EXCHANGE SHOULD COVER DISPUTE SETTLEMENT,
SAFEGUARDS, SUPPLY IN RELATION TO SAFEGUARDS,
AND ANTIDUMPING. LOW DUTIES SHOULD ALSO BE COVERED
BUT MIGHT PERHAPS BE IN A SEPARATE PAPER.

3. GREY THEN PROCEEDED TO OUTLINE THE ISSUES
WHICH CANADA WANTED DEALT WITH IN THE TARIFF PLAN,
NOTING HOWEVER THAT HIS THINKING HAD NOT YET BEEN
CARRIED TO THE POINT OF DRAFTING TEXTUAL LANGUAGE.
HE EMPHASIZED THE POLITICAL DIFFICULTY CANADA
WOULD FACE IN ADHERING TO A TARIFF PLAN THAT
DID NOT TAKE INTO ACCOUNT CANADA'S SPECIAL NEEDS.
THE ISSUES THAT NEEDED ATTENTION WERE AS FOLLOWS:

4. RECIPROCITY. GREY WANTED A REFERENCE TO THE
"CHAPEAU" OF THE TOKYO DECLARATION, REFERRING
TO THE OBJECTIVE OF AN OVERALL BALANCE OF ADVAN-
TAGES AT THE HIGHEST POSSIBLE LEVEL. CANADA ALSO
NEEDS AN EXPRESSION OF UNDERSTANDING THAT A
RECIPROCITY PROBLEM EXISTS FOR COUNTRIES WITH
HIGHLY DIVERSIFIED IMPORTS BUT A NARROWLY-BASED
RANGE OF EXPORTS. HE WANTED EXPLICIT MENTION
OF CREDIT BEING GIVEN FOR GREATER-THAN-FORMULA
CUTS, AND WENT TO CONSIDERABLE LENGTHS IN EXPLAINING
THE NEED FOR CREDITING FULLY (I.E. 100 PERCENT) THE BINDING
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PAGE 03 GENEVA 08063 01 OF 02 211753Z

OF RATES WHERE THE APPLIED RATE IS FREE BUT THE BINDING
IN THE SCHEDULE IS AT A HIGHER RATE.

5. RESOURCE-BASED PRODUCTS. GREY SAID THAT
CANADIAN INTERESTS REQUIRED THAT SPECIFIC MENTION
BE MADE OF THESE PRODUCTS IN A TARIFF PLAN. THE
STATED OBJECTIVE SHOULD BE HARMONIZATION OF TARIFF
RATES AT THE LOWEST POSSIBLE LEVEL (I.E., FULL USE
OF U.S. AUTHORITY). A LINK MUST BE MADE WITH NON-
TARIFF MEASURES, AND THERE SHOULD BE PROVISION FOR
MACHINERY TO ENSURE NO IMPAIRMENT OF AGREEMENTS
REACHED. THE NEGOTIATION OF RIGHTS AND OBLIGATIONS
TO INCREASE THE SECURITY OF SUPPLY OF THE PRODUCTS
CONCERNED WOULD TAKE PLACE IN PARALLEL WITH THE
NEGOTIATIONS ON IMPORT LIBERALIZATION. (SUCCESS IN
DEALING WITH RESOURCE-BASED PRODUCTS WILL ENHANCE
THE POSSIBILITY OF DEVELOPING MORE GENERAL RULES
ON SECURITY OF SUPPLY).

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PAGE 01 GENEVA 08063 02 OF 02 211803Z

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LIMITED OFFICIAL USE SECTION 2 OF 2 GENEVA 8063

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ACTION STR

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6. LOW RATES. GREY SAID HIS MEMORANDUM OF AUGUST 30 SET FORTH THE CANADIAN VIEW, I.E.: (A) THE UNITED STATES SHOULD BE PREPARED TO USE ITS AUTHORITY TO PROVIDE FREE ENTRY FOR ITS TARIFF ITEMS OF EXPORT INTEREST TO CANADA WHERE THE U.S. RATE IS 5 PER-CENT OR LESS AND (B) THAT THE TARIFF PLAN INCORPORATE A PROVISION REQUIRING THE BINDING AT FREE OF TARIFF ITEMS COVERING PRODUCTS ACCOUNTING FOR NOT LESS THAN A FIXED PERCENTAGE OF EACH PARTICIPANT'S MFN IMPORTS OF SEMIFINISHED AND FINISHED PRODUCTS OF INTEREST TO OTHER PARTICIPANTS.

7. PREFERENTIAL MARGINS. CANADA WOULD WANT TO INCLUDE A PARAGRAPH OR SOME SENTENCES MAKING IT CLEAR

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PAGE 02 GENEVA 08063 02 OF 02 211803Z

THAT CANADA IS NOT REQUIRED TO REMOVE MARGINS OF PREFERENCE AUTHORIZED BY PARAGRAPH 1:4 OF ARTICLE I

OF THE GATT (BRITISH COMMONWEALTH PREFERENCES). HE MADE IT CLEAR CANADA DOES NOT, IN FACT, WISH TO RETAIN THESE PREFERENCE MARGINS AND IS PREPARED TO HAVE THEM DISAPPEAR BUT CANADA WANTS TO "SELL" THESE BENEFITS RATHER THAN HAVE THE TARIFF PLAN AUTOMATICALLY DISPOSE OF A RIGHT CANADA HAS UNDER THE GATT.

8. EXCEPTIONS. GREY OBSERVED THAT CANADA WOULD MAKE A SUBSTANTIAL NUMBER OF GREATER-THAN-FORMULA CUTS REGARDLESS OF WHICH PARTICULAR TARIFF FORMULA WERE TO BE CHOSEN. CANADA WOULD EXPECT OTHER PARTICIPANTS TO MAKE SUCH CUTS; IF THEY WERE NOT INCLUDED IN THE INITIAL OFFER CANADA WOULD HAVE TO MAKE SUBSTANTIAL WITHDRAWALS. GREY REEMPHASIZED THAT CANADA WOULD NOT AScribe ANY VALUE TO CUTS ON RATES 5 PERCENT AND BELOW UNLESS THE TARIFF WAS ELIMINATED COMPLETELY.

9. AGRICULTURE. GREY SAID NONE OF THE FOREGOING COMMENTS APPLIED TO AGRICULTURE, ALTHOUGH HE RECOGNIZED THAT SOME STATEMENT ON THE IMPORTANCE OF AGRICULTURE PROBABLY SHOULD BE INCLUDED IN THE TARIFF PLAN.

10. AMB. MCDONALD RESPONDED THAT WE HAD TAKEN CAREFUL NOTE OF THE CANADIAN POINTS AND WOULD BE BACK IN TOUCH AFTER WE HAD THE OPPORTUNITY FOR REFLECTION AND STUDY.

11. GREY CONCLUDED THE SESSION BY GOING TO GREAT PAINS TO IMPRESS THE U.S. WITH CANADA'S DETERMINA-
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PAGE 03 GENEVA 08063 02 OF 02 211803Z

TION TO HAVE A SUBSTANTIAL NEGOTIATION. HE THOUGHT THAT THERE WAS SCOPE FOR A SIGNIFICANT U.S.-CANADA BILATERAL NEGOTIATION EVEN IF THE EC AND JAPAN WERE NOT PREPARED TO ACCEPT THE DEGREE OF LIBERALIZATION THE U.S. SOUGHT.

12. COMMENT. WHILE WE HAVE NOT HAD TIME TO STUDY IN DETAIL THE CANADIAN PROPOSALS ON THE TARIFF PLAN, THE MOST TROUBLESOME AREA STILL REMAINS SECTORS. THE CANADIAN SECTOR PROPOSALS HAVE REEMERGED, SHORN ONLY OF THE WORD "SECTOR".

WE SEE GREAT DIFFICULTY IN AGREEING TO SINGLE OUT PARTICULAR GROUPS OF PRODUCTS FOR SPECIAL TREATMENT IN A TARIFF PLAN. THE DELEGATION WILL PROVIDE MORE DETAILED COMMENT ON THE CANADIAN PROPOSALS AFTER FURTHER STUDY.

13. DRAFTED BY HAMERSCHLAG.CULBERT

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Message Attributes

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